

NICHOLSON & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
131 SOUTH 28TH AVENUE
P.O. DRAWER 15099
HATTIESBURG, MISSISSIPPI 39404-5099

TELEPHONE 601-264-3519
FAX 601-264-3642

www.nicholsoncpas.com

CARL L. NICHOLSON, JR., CPA
RICHARD D. HALBERT, CPA
RICHARD G. TOPP, CPA
FRANK H. McWHORTER, JR., CPA
T. JOHN HARVEY, CPA
WILLIAM T. KELLY, CPA, CVA
SUSAN A. RILEY, CPA
DAWN T. JONES, CPA
DONALD J. NESTER, CPA
MICHAEL W. DAVIS, CPA
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GREGORY L. FAIREY, CPA
JEFFREY M. ALLEN, CPA
PAIGE MILLSAP, CPA
KATHLEEN S. STRINGER, CPA
JESSICA M. STEED, CPA

October 3, 2003

Financial Audit Management Report

MEMBERS
PRIVATE COMPANIES PRACTICE
SECTION OF THE AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
MISSISSIPPI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

OTHER OFFICES:
150 OLD HWY 98 EAST
POST OFFICE BOX 609
COLUMBIA, MISSISSIPPI 39429
TELEPHONE 601-736-3449
FAX 601-736-0501

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
Post Office Box 451
Jackson, Mississippi 39205-0451

Dear Dr. Polles:

Enclosed for your review are the financial audit findings for the Mississippi Department of Wildlife, Fisheries and Parks for the Fiscal Year 2003. In these findings, the Auditor's Office recommends the Mississippi Department of Wildlife, Fisheries and Parks:

1. Strengthen internal controls over parks revenue;
2. Strengthen internal controls over network security;
3. Strengthen internal controls over the card security system;
4. Review Resource Access Control Facility (RACF) settings to maximize control capabilities;
5. Reconcile bank accounts properly;
6. Strengthen internal controls over contractual services expenditures;
7. Obtain SAS 70 Audits for service organizations.

Please review the recommendations and submit a plan to implement them by October 23, 2003. The enclosed findings contain more information about our recommendations.


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During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

We hope you find our recommendations enable the Mississippi Department of Wildlife, Fisheries and Parks to carry out its missions more efficiently. We appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Wildlife, Fisheries and Parks throughout the audit. If you have any questions or need more information, please contact us.

Sincerely,


Nicholson & Company, P.A.

Enclosures

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Nicholson & Company, P.A. has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Wildlife, Fisheries and Parks for the year ended June 30, 2003. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report. Nicholson & Company, P.A. staff members participating in this engagement included Susan Riley, CPA, Paige Millsap, CPA, David Carmichael, Bryan Sherman, Shelley Gendusa, CPA, and Brent King.

The fieldwork for audit procedures and tests was completed on October 3, 2003. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control Over Financial Reporting

In the planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Wildlife, Fisheries and Parks' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on these accounts and not to provide assurance on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operating of the internal control over financial reporting that, in our judgment, could adversely affect the department's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. These matters are noted under the heading **REPORTABLE CONDITIONS**.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described in this letter is a material weakness.

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In addition, we noted other matters involving the internal control over financial reporting that require the attention of management. These matters are noted under the heading **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS**.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Wildlife, Fisheries and Parks are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We are pleased to report the results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

REPORTABLE CONDITIONS

Controls Should Be Strengthened Over Park Revenues

Finding:

The Mississippi Department of Wildlife, Fisheries and Parks collects fees at each of the state parks. Audit testwork performed on forty (40) weekly park revenue reports disclosed the following weaknesses in internal controls:

- There were one hundred forty (140) instances in which the fees charged did not appear reasonable and sixty-six (66) instances where fees could not be calculated due to incomplete information on the park receipt.
- One (1) instance in which a camper was given an off-season discount but the date on the receipt indicated it was not off-season.
- In total, there were one hundred eight (108) instances in which the park receipts were not properly completed.
- Eight (8) reports had either no indication of review/approval by the park manager or the same individual signed as submitting and approving the report.

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- Overall, camping fees are arbitrarily charged, using an approved range, by park managers.

Without adequate controls in place over park revenues, errors or fraud could occur and not be detected in a timely manner, causing revenue to be misstated on the financial statements.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks strengthen existing controls over the collection of park revenue to include but not be limited to: providing training to park personnel on the proper collection and reporting of park revenues; and requiring park managers to review the weekly park revenue reports for accuracy and ensuring fees collected appear reasonable. Each park manager should document their review by signing and dating the weekly park revenue report. For consistency and accuracy, the agency should charge the same fees at all parks for the various types of camping.

Internal Controls Over Network Security Should be Strengthened

Findings:

During our test of Mississippi Department of Wildlife, Fisheries and Parks' Novell network settings, we noted the following control weaknesses:

- Grace logins were not properly set on two (2) user accounts.
- Nineteen (19) user accounts did not require passwords be changed every thirty (30) days as required by adopted policies and procedures.
- Some default hardware or software user accounts did not require a password and were not disabled or did not have network address restrictions placed on it.

Control Objectives for Information and Related Technology (CobiT), as well as recognized industry best practices, require adequate access controls to resources. Without these access controls in place, security could be compromised, allowing unauthorized access or fraud to occur without being detected.

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Recommendation

We recommend the management of the Mississippi Department of Wildlife, Fisheries and Parks require all users to have a unique password of at least five (5) characters. User accounts should have grace login limits set to three (3) and uniform password expiration limits. Hardware or software furnished user accounts and all generic user names should be disabled or restricted. A log should be maintained for all active hardware/software furnished accounts with any restrictions that are applicable if no password is required.

Internal Controls Over The Card Security System Should Be Strengthened

Finding:

During our test of the card security system at the Mississippi Department of Wildlife, Fisheries and Parks, we noted the following errors:

- Seven (7) instances in which individuals had access to restricted areas in which the auditor could not determine a need for such access.
- Three (3) instances in which individuals were issued multiple cards.

Control Objectives for Information Related Technology (CobIT), as well as recognized industry best practices, require management to ensure that access to system, data and programs is restricted to authorized users. Without these restricted access controls, unauthorized access, theft, and/or damage could occur.

Recommendation:

We recommend that the Mississippi Department of Wildlife, Fisheries and Parks strengthen controls over the card security system to streamline the system to only allow authorized personnel and other individuals access to the computer area and to the telecommunication equipment room as needed. Access group membership should be reassessed pertaining to access times and areas of access. A log should be maintained that reflects card activations and deactivations as well as the identity of the personnel performing the change. We further recommend the agency issue only one card to each authorized employee. Management should ensure that Access Control System policies and procedures are being followed.

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Resource Access Control Facility (RACF) Settings Should Be Reviewed To Maximize Control Capabilities

Findings:

During our test of Mississippi Department of Wildlife, Fisheries and Parks' Resource Access Control Facility (RACF) settings, we noted the following control weaknesses:

- Passwords intervals had not been set on four (4) user accounts.
- Four (4) user accounts had not been accessed in excess of six (6) months.
- Password had not been disabled for one (1) deceased employee.
- Some user accounts had generic names or were named vacant.

Control Objectives for Information and Related Technology (Cobit), as well as recognized industry best practices, require adequate access controls to resources. Without these access controls in place, security could be compromised, allowing unauthorized access or fraud to occur without being detected.

Recommendation:

We recommend the management of Mississippi Department of Wildlife, Fisheries and Parks review all settings for RACF to ensure that all employees have a unique password and user ID that is set to expire on a regular basis. We further recommend management review all dormant user accounts and their attribute settings. If accounts are not deemed necessary, access ID's should be deactivated. Terminated or deceased employees' accounts should be disabled immediately.

Obtain SAS 70 Audits For Service Organizations

Findings:

The Mississippi Department of Wildlife, Fisheries and Parks uses two (2) service organizations in conjunction with sales of licenses, the Point of Sale system for all agent sales and Payment-tech, LLC (EzGov) for internet sales. Inquiry during audit testwork revealed that SAS 70 audits were not performed for the service organizations used by the Agency.

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Recommendation:

We recommend the management of the Mississippi Department of Wildlife, Fisheries and Parks require all service organizations to have SAS 70 audits performed to insure proper control procedures are in place and are functioning as they relate to Agency transactions.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROL

Bank Accounts Should Be Properly Reconciled

Finding:

During our review of the clearing accounts at the Mississippi Department of Wildlife, Fisheries and Parks, we noted that outstanding items were not being properly reflected in the bank reconciliations. Agency personnel failed to cut-off the bank reconciliations as of the bank statement date. Outstanding check lists include checks written from the bank statement date to the date the reconciliation is prepared. Deposits are treated as deposits in transit without regard to the cut-off date. Therefore, the agency was not reconciling the bank statement balance to the actual book balance at the date of the bank statement.

Good internal controls dictate that bank accounts be reconciled to the book balance and that reconciling items be properly reflected. An improper bank account reconciliation could result in an incorrect balance being recorded on the financial statements.

Recommendation

We recommend the Mississippi Department of Wildlife, Fisheries and Parks perform monthly reconciliations of the bank account balances to the book balance. All outstanding items should be properly reflected on the reconciliation.

Internal Controls Should Be Strengthened Over Contractual Services Expenditures

Finding:

During fiscal year 2003, Mississippi Department of Wildlife, Fisheries and Parks contracted with companies to perform various services. Review procedures performed on forty (40) contractual expenditures revealed the following weakness:

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- One (1) instance in which an invoice did not comply with the terms of the contract.

Good internal controls dictate that the contractual agreements be reviewed periodically, outlining the services performed and the consideration for such services. Agency personnel should compare contractual expenditures to written agreements and detailed supporting documentation.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks strengthen internal controls over contractual services expenditures by reviewing contractual expenditures, written agreements and supporting documentation to ensure proper payment.

End of Report